

KYIV SCHOOL OF ECONOMICS
Advanced Macroeconomics, Fall 2013
Instructor: Maksym Obrizan

Time & Location: Please check the schedule

Instructor's Office: 210

Office Hours: whenever my office door is open (for questions not related to grading) or by e-mail appointment

E-mail: mobrizan@kse.org.ua or mobrizan@gmail.com

E-mail should be used only for organizational issues - if you have a question about the course material please see me in person.

Course webpage: http://mobrizan.weebly.com/advanced_macro.html

Course Objective:

This course will focus on the most important developments in dynamic macroeconomics. We will review the key concepts of macroeconomic dynamics such as dynamic programming, value function, Bellman equation and Euler equation. Then we will consider multiple applications of the neoclassical growth model, overlapping generations model and the incomplete markets framework of Aiyagari-Huggett.

List of topics (with references):

Review of dynamic programming and Markov chains

The neoclassical growth model and calibration (Cooley and Prescott 1995)

An application of the neoclassical model to investment rates (Restuccia and Urrutia 2001)

Heterogeneous agents in a model with complete markets (Hansen 1985)

"Standard incomplete markets model" or Bewley model (Huggett 1993)

Incomplete markets model with production (Aiyagari 1994)

Life-cycle considerations in the incomplete markets model (Huggett 1996)

Recent trends and topics for future research in quantitative macroeconomics with heterogeneous agents (Heathcote, Storesletten, and Violante 2009)

An application of labor search model in macroeconomics (Shimer 2005)

Required readings:

1. Cooley, Thomas F. and Edward C. Prescott. 1995. Economic Growth and Business Cycles. In Thomas F. Cooley (Ed.). *Frontiers of Business Cycle Research*. Princeton, NJ: Princeton University Press. pp. 1-38.

2. Restuccia, Diego and Carlos Urrutia. 2001. Relative prices and investment rates. *Journal of Monetary Economics* Vol. 47, 93-121.
3. Hansen, Gary D. 1985. Indivisible Labor and the Business Cycle. *Journal of Monetary Economics*. Vol. 16. pp, 309-327.
4. Huggett, Mark. 1993. The risk-free rate in heterogenous-agent incomplete-insurance economies. *Journal of Economic Dynamics and Control*. Vol. 17. pp. 953-69.
5. Aiyagari, Rao S. 1994. Uninsured Idiosyncratic Risk and Aggregate Saving. *Quarterly Journal of Economics*. Vol. 109. pp. 659-84.
6. Huggett, Mark. 1996. Wealth Distribution in Life-Cycle Economies. *Journal of Monetary Economics*. Vol. 38. pp. 469-94.
7. Heathcote, Jonathan, Kjetil Storesletten, and Giovanni L. Violante. 2009. Quantitative Macroeconomics with Heterogeneous Households. NBER Working Paper No. 14768.¹
8. Shimer, Robert. 2005. The Cyclical Behavior of Equilibrium Unemployment and Vacancies. *The American Economic Review*, Vol. 95, No. 1 (Mar.), pp. 25-49.

Grading:

Letter grades will be distributed according to standard KSE grading scale based on the following:

Assignment	% of Grade	Dates
2 Homeworks	30%	TBA
Unannounced Quizzes	10%	Two lowest scores dropped, number of quizzes 4-8
In-class presentation	10%	Two last weeks of classes
Midterm	20%	TBA
Final	30%	TBA

The purpose of unannounced quizzes is (i) to make sure that you do your reading not just before the exams and (ii) to check attendance (50% of the quiz score is given just for being present). There will be no makeups for quizzes that you miss. Final exam will be comprehensive - it will also include questions from the material taught before the midterm.

¹Those who are brave can also read a very important contribution: Krusell P, Smith AA. 1998. Income and wealth heterogeneity in the macroeconomy. *Journal of Political Economy* 106(5):867-96. However, it is not required.